

Message Text

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PAGE 01 STATE 308582
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EXDIS

E.O. 11652: XGDS 2 AND 3

TAGS: TSPA, ACOM, PFOR, RO

SUBJECT: VIP TELECOMMUNICATION SYSTEM

REF: BUCHAREST 7129

1. ON DECEMBER 17, DR. GANLEY, OES/APT, HELD SEPARATE MEETINGS WITH THREE-MAN COLLINS DELEGATION, LED BY DON WERBECK, AND WITH GENERAL ZGAVARDICI. CARL SCHMIDT, EUR/EE, AND MIRCEA IORDACHESCU, ROMANIAN EMBASSY, ATTENDED LATTER SESSION.

2. COLLINS DELEGATION INDICATED THAT MUCH PROGRESS HAD BEEN MADE DURING CURRENT GOR VISIT, BUT ALSO POINTED TO SECRET

SECRET

PAGE 02 STATE 308582

THREE AREAS OF "CONCERN". ONE IS WHAT THEY CALLED THE "LARGE COMPETITIVE PICTURE". IN ADDITION TO THE THREE POTENTIAL US SUPPLIERS THEY HAVE BECOME AWARE OF, ZGAVARDICI REPORTEDLY HINTED THAT A WESTERN EUROPEAN FIRM IS ALSO UNDER CONSIDERATION. COLLINS WAS UNABLE TO ASCERTAIN THE IDENTITY OF THIS FIRM. A SECOND CONCERN IS THAT THE

GOR IS REQUESTING A LEVEL OF DETAIL THAT COLLINS DOES NOT PROVIDE UNTIL AFTER A CUSTOMER HAS SIGNED A CONTRACT. FULFILLING THESE REQUESTS WOULD AMOUNT TO GIVING GOR FREE ENGINEERING INFORMATION WHICH MIGHT ENABLE THEM TO PROCEED WITHOUT COLLINS' SERVICES. THE THIRD CONCERN PERTAINS TO

"PERFORMANCE GUARANTEES". GOR IS SEEKING GUARANTEES THAT PRACTICALLY REQUIRE COLLINS TO CONTROL NATURE'S WAVE PROPAGATION CHARACTERISTICS. COLLINS HAS RESPONDED THAT THEY CAN GUARANTEE THE "INTEGRITY" OF THE COMMUNICATIONS SYSTEM, PROVIDED THE FIRM IS GIVEN PRIME CONTRACTOR RESPONSIBILITIES. THIS APPARENTLY MEANS THAT COLLINS CAN GUARANTEE RADIO CONTACT OVER A GIVEN PATH TO A VERY HIGH DEGREE OF CERTAINTY, I.E. 95 . COLLINS CLAIMS THAT THEY CANNOT ASSURE SUCH A HIGH LEVEL IF ANOTHER FIRM IS SELECTED AS PRIME CONTRACTOR, SINCE THEY WOULD NOT CONTROL SUBCONTRACTORS OF ANCILLARY COMPONENTS WHICH COULD HAVE AN INFLUENCE ON PERFORMANCE OF COLLINS EQUIPMENT.

3. DR. GANLEY REMINDED COLLINS REPRESENTATIVES THAT WE HAD BEEN TOLD FROM THE BEGINNING THAT GOR WOULD NEED TWO BIDS. HE EXPRESSED SURPRISE, HOWEVER, AT THE NEW INFORMATION THAT A EUROPEAN FIRM MAY BE UNDER CONSIDERATION. WITH REGARD TO FURNISHING ENGINEERING INFORMATION, HE STRESSED THAT THE DEPARTMENT'S CONCERNS HAS BEEN LIMITED TO SECURITY CONSIDERATIONS. HOWEVER, THE COMMERCIAL IMPLICATIONS OF PROVIDING ENGINEERING INFORMATION IS A QUESTION WHICH ONLY COLLINS CAN ANSWER.

4. WE LEARNED FROM COLLINS REPS THAT ZGAVARDICI DELEGATION
SECRET

SECRET

PAGE 03 STATE 308582

VISITED BELL HELICOPTER FACTORY, ALSO LOCATED IN DALLAS AREA. THEY DID NOT HAVE DETAILS, OTHER THAN THAT GOR IS INTERESTED IN ONE OR MORE TWIN-PROPELLER HELICOPTERS FOR PRESIDENTIAL USE.

5. ZGAVARDICI TOLD GANLEY THAT RECEPTION BY US FIRMS HAD BEEN OUTSTANDING. DISCUSSIONS HAD BEEN VERY USEFUL AND "OPEN". US FIRMS, HE SAID, HAD BEEN ASKED TO SUBMIT REVISED PROPOSALS BY THE END OF JANUARY, AND GOR WOULD REVIEW THEM DURING FEBRUARY.

6. BULK OF MEETING WAS DEVOTED TO DISCUSSION OF POTENTIAL EXIM FINANCING. ZGAVARDICI POINTED OUT THAT GOR WOULD LIKE EXIM FINANCING FOR ENTIRE PACKAGE. IN THEIR RESPONSES, GANLEY AND SCHMIDT ADDRESSED VARIOUS COMPONENTS. THEY REITERATED USG OPPOSITION TO US FINANCING IN ANY FORM OF THE VIP TELECOMMUNICATIONS SYSTEM. HOWEVER, THEY INFORMED ZGAVARDICI THAT INFORMAL CONTACTS WITH EXIM INDICATED

THAT EXIM PARTICIPATION IN FINANCING OF THE UNEQUIPPED AIRCRAFT MIGHT BE FAVORABLY CONSIDERED, ALTHOUGH THIS MATTER HAS NOT BEEN RAISED BEFORE THE EXIM BOARD. WHILE FINANCING OF AIRCRAFT'S INTERIOR CONFIGURATION HAD NOT BEEN RAISED WITH EXIM OFFICIALS, IT WAS THOUGHT POSSIBLE THAT EXIM MIGHT CONSIDER SUCH A REQUEST FAVORABLY. BOTH GANLEY AND SCHMIDT POINTED TO POTENTIAL PUBLICITY RISKS

SECRET

INHERENT IN EXIM FINANCING. IN ANSWER TO ANOTHER QUESTION, ZGAVARDICI SAID AIRCRAFT WOULD BE PART OF GOR'S CIVIL AIR FLEET.

7. ZGAVARDICI MENTIONED POSSIBILITY THAT TEAM FROM ROMANIAN COMMERCIAL BANK WOULD WANT TO COME TO WASHINGTON IN LATE JANUARY TO DISCUSS FINANCING WITH EXIM. WE STRESSED DESIRABILITY OF THE U.S. SUPPLIER MAKING ANY REQUEST TO EXIM FOR FINANCING ON GROUNDS THAT (A) NORMAL EXIM PRO-
SECRET

SECRET

PAGE 04 STATE 308582

CEDURE IN COMMERCIAL TRANSACTIONS IS FOR SELLER TO MAKE REQUEST, AND (B) SELLER WOULD BE MOST FAMILIAR WITH EXIM INFORMATION REQUIREMENTS AND THE LIKE. (EMBASSY REQUESTED TO KEEP US INFORMED SHOULD IT LEARN MORE CONCERNING POSSIBLE VISIT BY ROMANIAN COMMERCIAL BANK OFFICIALS.)

8. DURING CONVERSATION, GANLEY STRESSED NEED FOR GOR TO SELECT ONE PRIME US CONTRACTOR, WHO COULD THEN SUB-CONTRACT ACCORDING TO GOR'S WISHES. ALTHOUGH USG IS ENTIRELY NEUTRAL REGARDING US FIRMS GOR WISHES TO SELECT, WE SHOULD ALL KEEP IN MIND THAT VIP TELECOMMUNICATIONS IS PRIMARY PURPOSE OF THIS PROJECT.
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